



TFSA Investors: This Value Stock Could Make You a Billionaire

Description

FirstService ([TSX:FSV](#))([NASDAQ:FSV](#)) is a leading provider of [branded essential property services](#). The company operates two business divisions. FirstService Residential is the largest provider of residential property management services in North America, and FirstService Brands is a leading provider of essential property services to residential and commercial customers through both franchise systems and company-owned operations.

Attractive valuation

The company has a price-to-earnings ratio of 94.93, price-to-book ratio of 12.65, dividend yield of 0.49%, and market capitalization of \$8.36 billion. Debt is very sparingly used at FirstService, as evidenced by a debt-to-equity ratio of just 0.88. The company has excellent performance metrics with an operating margin of 6.27% and a return on equity of 15.07%.

Recurring revenue divisions

The company's businesses have [competitive advantages](#) that are difficult to replicate. FirstService's two business lines have highly attractive financial profiles, a high proportion of recurring revenue streams, low capital expenditures and working capital requirements, and high free cash flow generation. This has led to significant financial strength to grow both organically and through consolidation of highly fragmented industries.

Stable residential exposure

FirstService Residential is North America's largest manager of private residential communities and offers a full range of services across multiple geographies to a wide variety of clients. This division has more than 15,000 employees in approximately 100 offices across 25 states in the United States and three Canadian provinces. The division represents over 1.7 million residential units with a presence in major markets.

As a full-service property manager, FirstService Residential provides a full range of ancillary services, including on-site staffing for building engineering and maintenance, full-service swimming pool, and amenity management. The division provides residential property management and recurring ancillary services under contract, with a fixed monthly fee. A significant proportion of the division's revenue is recurring due to the nature of contracts and a long-term tenure.

Essential services provider

The FirstService Brands division is a leading North American operator and provider of essential property services to residential and commercial customers. The division owns and operates five franchise networks. Paul Davis provides full-service water, construction rebuild, and restoration services for property damaged by natural or man-made disasters. CertaPro Painters is a major provider of residential and commercial painting services in North America. California Closets is a major provider of custom-designed and installed home storage solutions. Pillar to Post Home Inspectors is one of Canada's largest home inspection service providers. Floor Coverings International is a residential and commercial floor coverings design and installation franchise system operating in North America with 142 franchises.

Since acquiring Global Restoration in 2019, FirstService Brands has significantly expanded capabilities in commercial and large loss property restoration in North America. The company's divisions have grown to market-leading essential property services businesses with a focus on client service excellence. The company has created strong brand recognition and economies of scale that has create more value for clients.

Overall, FirstService maintains a leadership position in the residential property management and services industry, offering a full complement of services to a wide range of customers. FirstService has an established track record of growing organically and through acquisitions.

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